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Current Developments in

THE FARM REAL ESTATE MARKET

July - November 1960

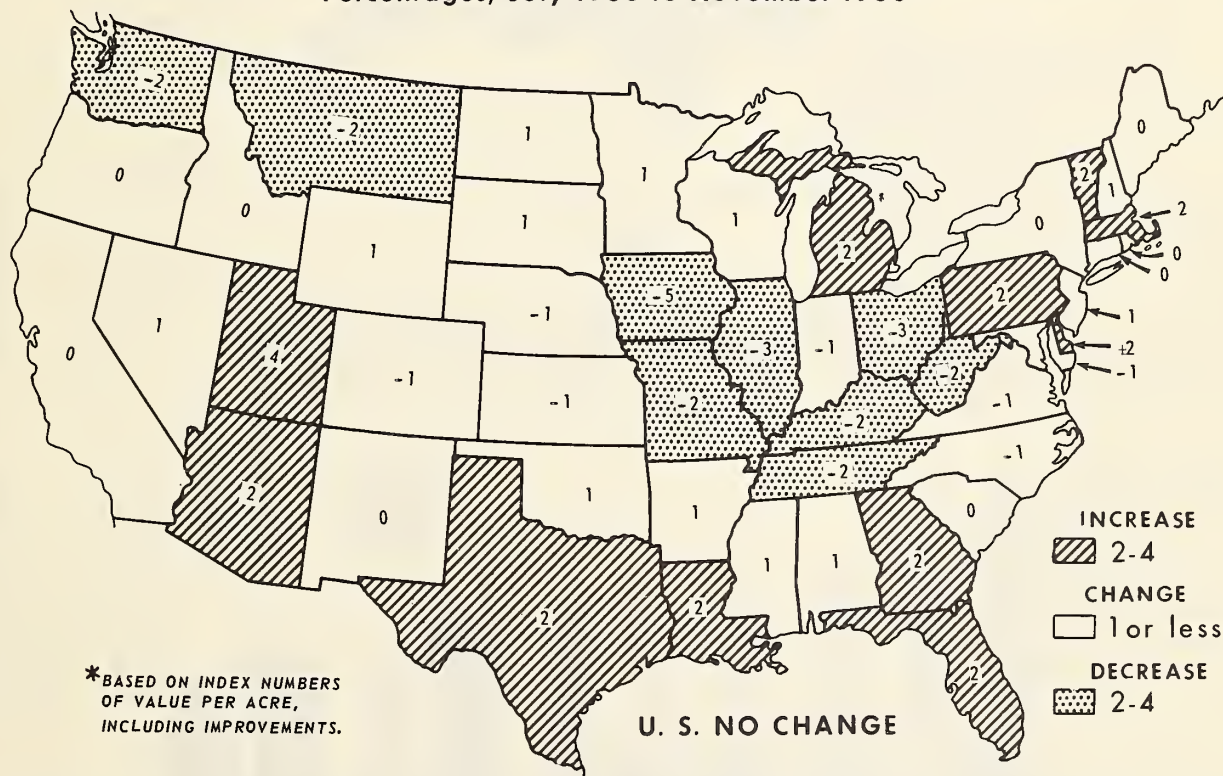
Agricultural Research Service
UNITED STATES DEPARTMENT OF AGRICULTURE

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CHANGE IN DOLLAR VALUE OF FARMLAND *

Percentages, July 1960 to November 1960



U. S. DEPARTMENT OF AGRICULTURE

NEG. 61(1)-9094 AGRICULTURAL RESEARCH SERVICE

Farm real estate values changed 1 percent or less in more than half the States in the 4 months ended November 1, 1960. The national index was 172 (1947-49=100), the same as for July 1, 1960, and only 1 index point (0.6 percent) above November 1, 1959. Between July and November 1960, decreases of 2 percent or more occurred in 9 States, most of which were in the central part of the country. Elsewhere, values remained essentially unchanged or increased moderately.

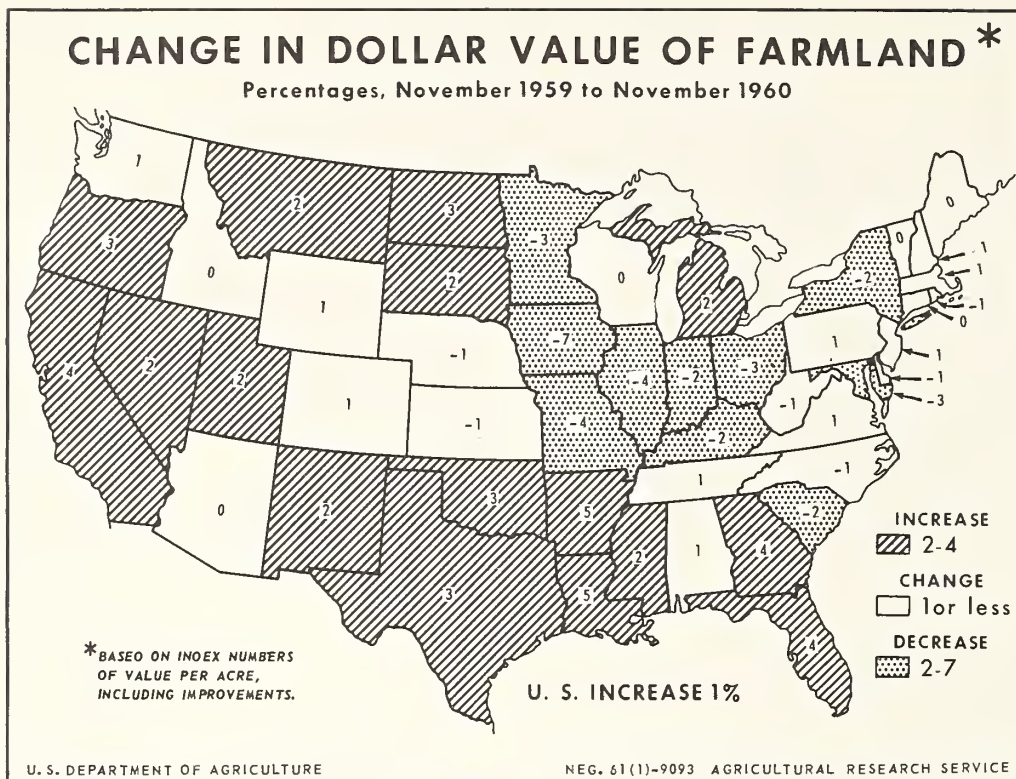


Figure 1

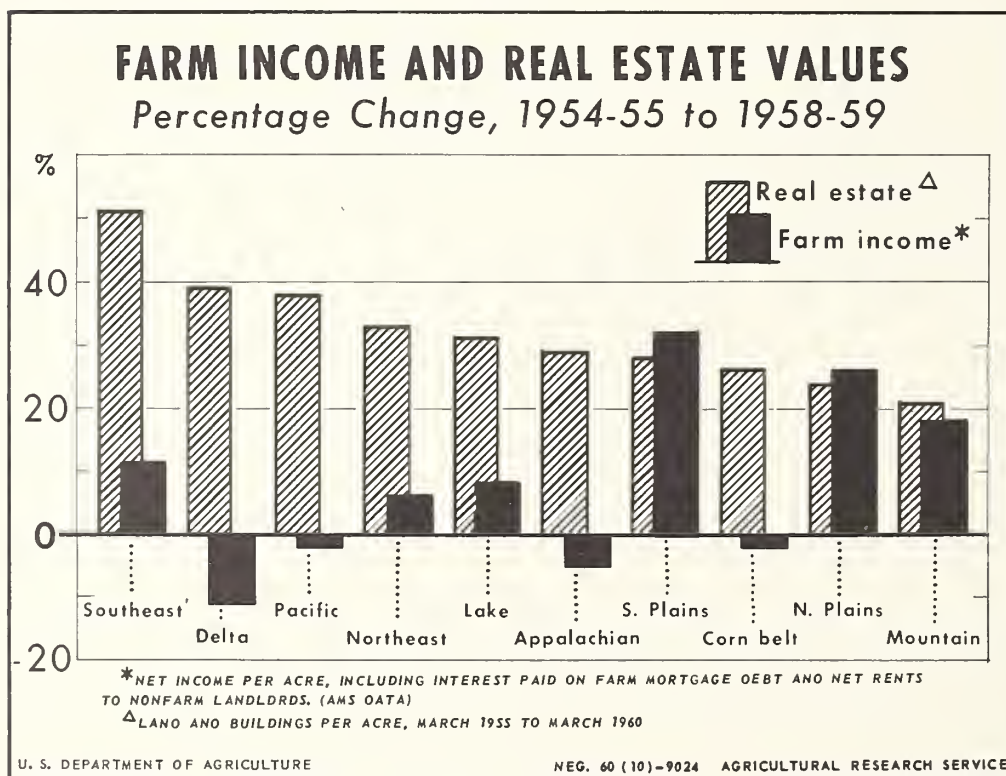


Figure 2

CURRENT DEVELOPMENTS IN THE FARM REAL ESTATE MARKET

July - November, 1960

Approved by the Outlook and Situation Board, February 21, 1961

SUMMARY

The steady upward trend in market values of farm real estate that had prevailed with only two interruptions since 1941 came to a halt in 1960. The national index of average value per acre for November 1, 1960, remained at 172 (1947-49=100), the same as on July 1, and only 1 point (0.6 percent) above a year earlier. Moderate increases of 2 to 4 percent occurred in 11 States in the 4 months ended November 1, 1960, but these were offset by generally larger declines in several States in the Corn Belt and a few States elsewhere. Iowa led the downturn with a dip of 5 percent, followed by Illinois and Ohio with 3 percent.

A similar mixed pattern of increases and decreases among the States was apparent for the 12 months ended last November. During the 12-month period, prices advanced 2 percent or more in 16 States, mainly in the South and West, but these gains were substantially less than in previous years. Some weakness was apparent in the Corn Belt States between March and July 1960, so that the total decline for the 12 months ranged from a high of 7 percent in Iowa to 3 or 4 percent in Illinois, Minnesota, Missouri, and Ohio. Outside the Corn Belt, only Kentucky, South Carolina, Maryland, and New York showed significant declines.

On November 1, 1960, the total market value of farmland and buildings was estimated at \$128.4 billion, about \$700 million less than on March 1, and \$600 million less than a year earlier.

In the October survey, reporters' opinions as to probable future price trends were strongly influenced by the weakness in land prices at the time. Nationally, less than 10 percent of the reporters expected prices of non-irrigated land to increase in the following 6 months. In October 1959 about a fifth thought prices would continue to increase. The shift in opinions was most pronounced in the eastern Corn Belt, where nearly half of the reporters last fall thought prices would decline, whereas a year earlier only 13 percent held this opinion.

Both dealers and nondealers agreed that the general market situation was weaker last fall than a year earlier. They reported a lower rate of farm transfers in most regions, less demand for land, and increased resistance by prospective buyers to asking prices. Dealers in most areas reported that they made fewer sales between March and October 1960 than in the same period of 1959, and that they had more listings of farms for sale. They reported little change in the occupations of persons seeking land for farming purposes, but thought that the demand for land for nonfarm purposes was less than in the previous year. This is consistent with the slowdown in housing starts last year and the cutback in new capital investments by the nonfarm sector.

At least a part of the weakness in the land market in the Corn Belt results from the increased attention being given to possible changes in farm programs to check the mounting stocks of feed grains and wheat. Uncertainty as to the nature and extent of production controls that may be adopted has encouraged a "wait and see" attitude on the part of buyers. Expectations of lower interest rates on farm mortgages have lead to postponement of some purchases and increases in taxes on farm real estate have helped to dampen interest in land purchases.

Interest rates on new farm mortgage loans remained almost uniformly at 6 percent for all major classes of lenders in 1960, despite rate reductions in central money markets. Following a reduction in rates paid on bonds sold by the Federal land banks in 1960, 6 of the 12 district land banks reduced their rates to 5 1/2 percent effective in early January 1961. Although the supply of mortgage funds eased during 1960, the dollar volume of new mortgage loans was somewhat lower than in 1959. Loans made by life insurance companies in the first 9 months of 1960 totaled 9 percent less than in the same period of 1959, and loans made by the Federal land banks were down 17 percent.

THE FARM REAL ESTATE MARKET IN THE FALL OF 1960

Divergent trends in land prices among States constituted the dominant feature of the land market in 1960, in contrast with the almost universal upward trends that had prevailed from 1954 through mid-1959 (table 1). Values continued to advance in 1960 in most of the Southern and in a few of the Western States, but the rate of increase was substantially less than in previous years. The downturn that was first noted in the central part of the country between November 1959 and March 1960 spread to a few more States in the July to November 1960 period. For the year ended last November, Iowa led the country with a decline of 7 percent, followed by declines of 3 or 4 percent in Illinois, Minnesota, Missouri, and Ohio (fig. 1). Only a few scattered States outside the Midwest showed declines of as much as 2 percent. Changes in nearly half the States were 1 percent or less.

The current downturn in land values is not as great and is more limited geographically than in 1952-53, when the most recent reversal of the general upward trend occurred. At that time, the national index dipped 4 percent and most States showed some decline. Then, as now, values dipped a little more in the Corn Belt than in other parts of the country. Declines in 1952-53 were a little larger than in the current period, except in Iowa, where the dip in 1959-60 was somewhat larger than in 1952-53. The subsequent rise of about 35 percent in land values from late 1953 through early 1960 was unprecedented in view of the general stability in net farm income. As a result, the market value of farm real estate, which was 5.6 times income in 1950-54, increased to about 9.5 times net income in 1960, the highest ratio since the early thirties.

A picture of more diverse changes in the relationship between land values and net farm income is obtained at the regional level. In general, those regions that had the largest increases in land values between 1955 and 1960 had the smallest increases, or had actual declines, in net farm income

Table 1.- Percentage change in index of average value of farm real estate per acre, by farm production regions, selected periods, 1958-60

Region	Change during year ending November			Change during 4 months ending November		
	1958	1959	1960	1958	1959	1960
	Percent	Percent	Percent	Percent	Percent	Percent
Northeast-----	6	6	0	2	2	1
Lake States-----	5	6	-1	1	0	1
Corn Belt-----	5	5	-5	2	1	-3
Northern Plains----	8	4	0	1	0	0
Appalachian-----	6	6	0	2	2	-1
Southeast-----	10	9	3	3	2	1
Delta States-----	6	6	4	2	0	1
Southern Plains----	5	5	3	3	2	2
Mountain-----	5	6	2	2	1	1
Pacific-----	8	6	3	2	1	0
48 States ^{1/} ----	6	5	1	3	1	0

^{1/} Data not available for Alaska and Hawaii.

(fig. 2). Increases in farm income provided support for the rise in land prices only in the Northern and Southern Plains and in the Mountain regions. However, the increases in land values in these regions were moderate.

There were no significant factors in the 1960 crop year to explain the leveling-off in land prices. Crop production set a new record, and prices of farm products averaged slightly above those of the previous year during the period of heavy fall marketings. Hog prices were well above those of the previous year, but cattle prices were lower, particularly during the spring and summer. Prices for feed grains were lower, but because of a larger volume of marketings cash receipts were a little above those of the previous year. In total, cash receipts from all marketings in 1960 are tentatively estimated to have been \$600 million (2 percent) higher than in 1959, and realized net income of farm operators about \$300 million (2.6 percent) higher.

The wide attention given last fall to alternative farm programs, particularly for feed grains and wheat, led some prospective buyers to delay land purchases until the possible effects of new farm legislation on farm income could be appraised. An expanded soil bank, for example, would likely reduce the market supply of land available for rental or purchase and thus would strengthen prices. Retirement of land as a condition for receiving higher price supports would also reduce the market supply of land and strengthen the demand for additional land to offset the acreage reduction.

If price-support levels were raised without offsetting acreage restrictions, the increase in farm income would also help to bolster land prices.

The lifting of restrictions on the production of sugar beets last October may strengthen the demand for irrigated land in the sugar beet areas of the Western States. However, as the increase in acreage in 1961 is not expected to be more than 10 percent because of limitations on the capacity of processing plants, the effects of this change in farm programs are likely to be moderate. Reports from Florida indicate considerably greater interest in the expansion of sugar-cane acreage. Prices of land suitable for cane production have increased sharply, and substantial investment is planned for new processing facilities.

Further Shift in Reporters' Opinions as to Future Price Trends

Only 9 percent of the reporters who responded to the October 1960 survey thought prices of nonirrigated land would increase in the following 6 months (table 2). ^{1/} This proportion was a little lower than in March 1960, and only half as large as in October 1959. About three-fourths said they expected prices to change little, but nearly a fifth thought prices would decline. In October 1959, only 6 percent thought prices would decline in the following 6 months. Reporters' opinions with respect to prospective changes in prices of irrigated and grazing land were about the same as for nonirrigated land.

The most striking shift in price expectations occurred in the eastern Corn Belt where prices had been declining since the fall of 1959. Nearly half of the reporters last October thought prices would decline further, whereas a year earlier, only 13 percent held this opinion. In the western Corn Belt, the comparable proportions were 35 percent in October 1960 and 9 percent in October 1959. Although the shift in opinion between the two survey dates was not as sharp in other regions, all areas showed an increase in the proportion of reporters who expected prices to decline, and a decrease in the proportion who thought prices would increase.

^{1/} The material in this and succeeding sections is based on the replies to a mail survey of the Department's farm real estate reporters made last October. Separate questionnaires were sent to 2 groups of reporters: (1) Farm real estate dealers, and (2) nondealers, including local bankers, lawyers, abstractors, county officials, local representatives of lending agencies and others familiar with the farm real estate market in their localities. Most of these reporters have participated in similar surveys conducted in March and October each year. As they are in close contact with sellers and buyers and are believed to keep well informed as to current market trends, their opinions are likely to reflect those held generally within their communities.

Table 2.- Opinions of farm real estate reporters as to change in land values in following 6 months, by type of land, selected type of farming areas and United States, October surveys, 1959 and 1960

Type of land and farming area	Number of reports ^{1/}	Percentage of reporters expecting land prices to-					
		Increase		Change little		Decline	
		Oct. 1959	Oct. 1960	Oct. 1959	Oct. 1960	Oct. 1959	Oct. 1960
	No.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Nonirrigated land:							
Northeast dairy-----	232	19	10	75	80	6	10
Lake States dairy-----	335	28	7	67	77	5	16
General farming-----	454	22	12	73	77	5	11
Eastern Corn Belt-----	277	15	4	72	49	13	47
Western Corn Belt-----	539	15	4	76	61	9	35
Spring and winter wheat---	358	15	7	81	83	4	10
Eastern and central cotton:	364	22	12	76	79	2	9
Tobacco-----	124	24	15	73	79	3	6
Northern range livestock--	165	20	11	75	81	5	8
Southern range livestock--	92	25	7	71	80	4	13
California specialty-----	72	32	14	64	79	4	7
48 States ^{2/} -----	3,362	19	9	75	73	6	18
Irrigated land:							
Western Corn Belt-----	168	23	13	72	66	5	21
Western cotton-----	92	30	12	64	77	6	11
Northern range livestock--	164	24	16	72	77	4	7
Southern range livestock--	96	25	15	70	78	5	7
California specialty-----	75	23	19	76	70	1	11
48 States ^{2/} -----	1,552	24	13	71	77	5	10
Grazing land:							
Western Corn Belt-----	449	12	4	77	66	11	30
Spring wheat-----	165	18	12	77	78	5	10
Winter wheat-----	173	14	6	78	80	8	14
Western cotton-----	179	20	14	76	77	4	9
Northern range livestock--	182	28	15	65	75	7	10
Southern range livestock--	110	29	10	64	75	7	15
48 States ^{2/} -----	3,026	19	10	74	75	7	15

^{1/} 1960 survey. The number of reports in October 1959 was slightly higher.

^{2/} Based on data for 21 type-of-farming areas; Alaska and Hawaii not included.

Lower Rate of Farm Transfers in 1960

Both dealer and nondealer reporters expressed rather strong agreement that fewer sales of farm real estate had occurred between March and October 1960 than in the same period of 1959 (tables 3 and 4). More than half the dealers in the Corn Belt, northeast dairy, and western cotton areas said there were fewer sales; all other areas showed an increase in the proportion of dealers who held this opinion compared with the October 1959 survey.

Dealers' reports rather clearly attributed the lower volume of sales to weaker demand for land rather than to a reduction in market supply. They reported that they had received fewer inquiries from prospective buyers, and that it took longer and required more sales effort to find buyers. Dealers in most areas reported a significant increase in the number of properties they had listed for sale last October compared with a year earlier.

Table 3.- Dealers' opinions as to change in the general market situation, United States, October surveys, 1959 and 1960 ^{1/}

Item	Percentage of reporters answering-					
	More		About the same		Less	
	1959	1960	1959	1960	1959	1960
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Number of sales made-----	16	10	48	39	36	51
Amount of sales effort required to make a sale--	42	61	47	29	11	10
Length of time between initial listing and sale	36	53	52	38	12	9
Difficulty of obtaining financing for buyers-----	49	44	45	45	6	11
Number of inquiries to buy: farmland-----	26	13	43	31	31	56
Ease of obtaining listings:	49	36	38	42	13	22
Number of properties listed for sale-----	14	18	54	54	32	28

^{1/} At each survey date, reporters were asked to compare the situation existing in summer and early fall with the same period a year earlier. Data not available for Alaska and Hawaii.

Table 4.- Nondealers' opinions as to changes in the general market situation, United States, October surveys, 1959 and 1960 1/

Item	Percentage answering-					
	More		About the same		Less	
	1959	1960	1959	1960	1959	1960
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Number of sales of farms in reporters' locality-----	17	10	68	64	15	26
Number of farms on the market---	18	19	67	65	15	16
Number of people looking for farmland-----	23	14	56	52	21	34
Number of farm sales because of financial distress-----	7	8	85	84	8	8
	Percentage answering-					
	Increase		Little change		Decrease	
	1959	1960	1959	1960	1959	1960
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Amount of farm mortgage credit available-----	9	8	65	73	26	19
Loan limits on farm mortgage loans-----	16	9	68	74	16	17
Appraised values of farmland for loan purposes-----	26	13	67	71	7	16

1/ At each survey date, reporters were asked to compare the situation existing in summer and early fall with the same period a year earlier. Data not available for Alaska and Hawaii.

Nationally, the average number of sales made per dealer between March 1 and October 1, 1960, was about the same as in the comparable period of 1959 (table 5). However, the number of sales declined significantly in the north-east dairy, eastern Corn Belt, and general farming areas. On the average, the actual sales price was 95 percent of the initial asking price, the same ratio as in 1959, suggesting a continued firmness in asking prices despite the downward pressure exerted by prospective buyers.

Dealers reported no significant change in the relative importance of farmers and nonfarmers as prospective buyers. As in 1959, two-thirds of the dealers' inquiries came from farmers and one-third from nonfarmers (table 6). Dealers expressed a strong opinion, however, that the demand for land for nonfarm uses in 1960 was less than in the previous year. Two-fifths of the dealers said such demand was less, and 13 percent said there was no interest in such purchases in their localities (table 7). They noted also lessened interest in the purchase of land as an investment for farming purposes, although nondealers were more certain than dealers that this kind of demand had weakened.

Table 5.- Farm listings and sales made per dealer, and percentage sales price is of asking price, selected type-of-farming areas and United States, Mar. 1 and Oct. 1, 1959 and 1960 ^{1/}

Type-of-farming area	Listings per dealer, Oct. 1		Sales per dealer, March 1 - Oct. 1		Percentage sales price is of asking price ^{2/}	
	1959	1960	1959	1960	1959	1960
	Number	Number	Number	Number	Percent	Percent
Northeast dairy-----	12.0	14.6	4.2	2.2	93	94
Lake States dairy-----	12.4	17.1	5.5	5.1	93	94
General farming-----	15.4	23.0	8.1	5.5	95	98
Eastern Corn Belt-----	6.2	8.0	3.5	2.7	99	95
Western Corn Belt-----	8.5	10.2	3.9	3.4	95	92
Spring and winter wheat----	5.9	5.3	2.7	4.3	95	94
Eastern and central cotton--	8.1	11.0	3.4	5.6	94	95
Western cotton-----	8.4	7.8	2.9	3.2	96	94
Northern and southern range livestock-----	7.2	8.3	2.8	4.4	95	95
Western dairy and northwest wheat-----	14.8	14.4	3.6	3.1	93	93
California specialty-----	9.1	9.6	4.7	3.8	94	95
United States ^{3/} -----	9.3	11.4	4.1	4.0	95	95

^{1/} Based on October surveys, 1959 and 1960.

^{2/} Based on a sample of the most recent sales made by dealers since Mar. 1, 1959, and Mar. 1, 1960, respectively. Percentage selling price is of asking price was computed for each sale. The average was then obtained by totaling the percentages and dividing by the number of sales reported.

^{3/} Based on data for 21 type-of-farming areas; Alaska and Hawaii not included.

Table 6.- Demand for farmland: Dealers' estimates of percentage distribution of prospective buyers, selected type-of-farming areas and United States, Mar. 1 to Oct. 1., 1959 and 1960 ^{1/}

Type-of-farming area	Farmers				Nonfarmers			
	Owner-operators		Tenants		Nonfarm investors ^{2/}		All others	
	1959	1960	1959	1960	1959	1960	1959	1960
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Northeast dairy-----	24	26	10	11	37	41	29	22
Lake States dairy-----	36	31	23	27	20	24	21	18
General farming-----	35	38	16	14	30	33	19	15
Eastern Corn Belt-----	51	53	23	24	16	14	10	9
Western Corn Belt-----	52	50	33	32	10	11	5	7
Spring wheat-----	57	69	28	24	8	3	7	4
Winter wheat-----	59	63	14	14	20	20	7	3
Eastern cotton-----	23	28	4	13	56	46	17	13
Central cotton-----	35	45	15	14	34	24	16	17
Western cotton-----	46	34	10	14	34	30	10	22
Northern range livestock-----	53	52	18	16	18	20	11	12
Southern range livestock-----	53	47	5	13	30	28	12	12
California specialty-----	40	38	6	7	40	47	14	8
48 States ^{3/} -----	44	45	19	20	23	23	14	12

^{1/} Based on October surveys, 1959 and 1960.

^{2/} It is difficult to make a clear distinction between nonfarmer investors and other nonfarmer buyers in the northeastern dairy, general farming and eastern cotton areas. The proportion of nonfarmer investors may be overstated for these areas.

^{3/} Based on data for 21 type-of-farming areas; Alaska and Hawaii not included.

There was no indication from reporters last fall of any significant change in the number of farm foreclosures and forced sales for financial reasons. The rate of such transfers has ranged between 1 and 2 farms per 1,000 since 1944. Lending agencies have seldom found it necessary to initiate formal foreclosure proceedings and currently they own practically no farms acquired by foreclosure.

Little Change in Number of Farms Offered for Sale:

There was little indication of any significant change between 1959 and 1960 in the number of farms on the market. It is likely that the increase in the number of listings reported by dealers reflects a slower rate of sale rather than an actual increase in the number of owners who wished to sell their land. Historically, the market supply of land has responded slowly, if at all, to changes in market prices. In recent years, the limited amount of land that has been offered for sale has helped to maintain a strong market.

Table 7.- Reporters' opinions as to strength of demand for farmland for farm and nonfarm purposes, 1960 compared with previous year, United States ^{1/}

Item	: Distribution of reporters' opinions as to demand for : land for-			
	: Farm purposes		: Nonfarm purposes	
	: Nondealers	: Dealers	: Nondealers	: Dealers
	: <u>Percent</u>	: <u>Percent</u>	: <u>Percent</u>	: <u>Percent</u>
Increase-----	: 10	: 17	: 18	: 11
Little change-----	: 59	: 50	: 57	: 35
Decrease-----	: 25	: 11	: 16	: 41
No interest-----	: 6	: 22	: 9	: 13
Total-----	: 100	: 100	: 100	: 100

^{1/} Based on October 1960 survey. Data not available for Alaska and Hawaii.

Farm real estate reporters were a little more inclined to sell farmland in the fall of 1960 than they were 2 years earlier. In both surveys, non-dealer reporters were asked to assume that they owned an average farm in their community that they were not farming themselves and for which they could get the current market price. The question posed was: "Is this a good time to sell?" In 1960, 46 percent of the reporters said "yes," 32 percent "no," and 22 percent were not sure (table 8). The corresponding percentages in 1958 were 43, 37, and 20 percent. Most regions followed this national pattern of a small increase in the proportion answering "yes," a decline in the proportion answering "no," and a slight increase in the uncertain group.

The relatively small shift that has occurred in reporters' opinions between these two dates is somewhat surprising in view of the change in price expectations. In 1958, market values were still rising, whereas in 1960, values were holding about steady or were showing some weakness. This suggests that market supply is not responsive to short-run price changes, or that factors other than price play a more important role. It has been apparent for some time, of course, that the tax payable on capital gains has served as a strong deterrent to the sale of farmland unless other investments were substantially more attractive. The increased use in recent years of the installment land-purchase contract, under which capital gains may be distributed over the term of the contract, has provided sellers with a device for reducing the amount of tax to be paid under certain conditions. Reporters in all parts of the country rated such tax savings as the main reason for the use of land contracts.

Table 8.- Reporters' opinions as to whether now is a good time to sell farmland, selected type-of-farming areas and United States, 1958 and 1960 ^{1/}

Type-of-farming area	Percentage of reporters answering-					
	Yes		No		Not sure	
	1958	1960	1958	1960	1958	1960
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Northeast dairy-----	62	60	18	17	20	23
Lake States dairy----	37	40	44	34	19	26
General farming-----	43	42	34	34	23	24
Eastern Corn Belt----	41	47	40	33	19	20
Western Corn Belt----	40	47	38	30	22	23
Spring wheat-----	38	44	45	33	17	23
Winter wheat-----	40	36	35	37	25	27
Eastern cotton-----	37	45	42	33	21	22
Central cotton-----	36	34	41	46	23	20
Western cotton-----	43	53	38	25	19	22
Northern range						
livestock-----	47	49	32	32	21	19
Southern range						
livestock-----	45	48	40	36	15	16
California specialty-	45	46	50	36	5	18
48 States ^{2/} -----	43	46	37	32	20	22

^{1/} Based on replies to the following question asked nondealer reporters in October surveys 1958 and 1960: "Suppose you owned an average farm in your community that you were not farming yourself and could get the current market price for it, do you think now is a good time to sell?"

^{2/} Based on data for 21 type-of-farming areas; Alaska and Hawaii not included.

Interest Rates Held at 6 Percent; Borrowing Curtailed

Interest rates on farm mortgage loans made by the Federal land banks and life insurance companies held at 6 percent through 1960, and rates charged by commercial banks averaged a little higher (table 9). Some lenders raised the effective rate slightly above 6 percent by imposing loan-closing fees, by discounting, and by setting "blended" rates when an existing mortgage carrying a lower rate was refinanced. At the beginning of 1961, however, 6 of the 12 district land banks reduced their rate to 5 1/2 percent. If current rates in central money markets hold, some reduction from last year's level may be expected by other lenders in 1961.

Table 9.- Farm-mortgage interest rates: Averages of reporters' estimates of rates charged, by type of lender, selected type-of-farming areas and United States, October 1, 1958-60

Type-of-farming area	Individuals			Life insurance companies			Commercial banks		
	1958	1959	1960	1958	1959	1960	1958	1959	1960
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Northeast dairy-----	5.4	5.5	5.7	5.3	5.6	5.7	5.6	5.7	5.8
Lake States dairy-----	5.1	5.3	5.6	5.3	5.5	5.8	5.6	5.9	5.9
General farming-----	5.8	5.8	5.9	5.4	5.5	5.6	5.9	6.0	6.0
Eastern Corn Belt-----	5.3	5.6	5.6	5.1	5.5	5.7	5.4	5.7	5.9
Western Corn Belt-----	5.0	5.2	5.4	5.1	5.5	5.9	5.3	5.7	6.0
Spring wheat-----	5.4	5.7	5.7	5.4	5.6	5.9	6.1	6.3	6.3
Winter wheat-----	5.7	6.0	6.0	5.3	5.7	5.8	5.7	6.1	6.2
Eastern cotton-----	6.7	6.8	6.7	5.6	5.9	5.9	6.2	6.3	6.5
Central cotton-----	6.6	6.4	6.7	5.5	5.8	5.8	6.3	6.5	6.5
Western cotton-----	6.4	6.1	6.4	5.4	5.7	5.9	6.2	6.3	6.6
Northern range									
livestock-----	5.9	6.0	6.2	5.2	5.6	5.9	6.1	6.3	6.4
Southern range									
livestock-----	6.2	6.3	6.6	5.2	5.6	5.8	6.1	6.4	6.6
California specialty--	5.9	6.4	6.6	5.4	5.9	6.0	5.9	6.3	6.5
48 States ¹ /-----	5.7	5.8	5.9	5.3	5.6	5.8	5.8	6.0	6.2

¹/ Based on data for 21 type-of-farming areas; Alaska and Hawaii not included.

Lower rates of land purchase, together with some cutback in the amount of loanable funds available from banks and insurance companies in the early part of 1960 helped to slow the rate of increase in total farm mortgage debt in 1960. Outstanding debt on January 1, 1961, was estimated at \$13.1 billion, up 6.5 percent from a year earlier, compared with increases of 9 percent in 1959 and 7 percent in 1958.

Farmers borrowed about 10 percent less from life insurance companies in 1960 than in 1959, and 12 percent less from the Federal land banks. A slightly larger proportion of the funds borrowed were for purposes of refinancing existing debts than in the previous years. Only a little more than a third of the funds obtained from life insurance companies were used to finance the purchase of farm real estate.

MARKET VALUE AND SIZE OF FARM, 1959 CENSUS

The average value per farm reported by the 1959 census of agriculture for 48 States (excluding Hawaii and Alaska) was \$33,242, or nearly \$13,000 (63 percent) more than in 1954. Part of this increase resulted from the increase from 242 to 302 acres in the average size of farm. Average value per acre for all land in farms increased 44 percent, according to preliminary census estimates.

The census counted about 38 million fewer acres in farms in 1959 than in 1954. Part of this decline resulted from a change in the definition of a farm, and from the exclusion of farms that were wholly in the soil bank. The conversion of cropland to woodland and forest, particularly in the South, and the expansion of urban areas also contributed to the decline in acreage of land in farms.

The total number of farms in 1959 (adjusted for the change in definition) was 3.9 million, compared with 4.8 million in 1954. The decline in number was substantially greater for farms of less than 100 acres than for farms in the larger acreage size classes. The only group of farms that increased in number was that containing farms of 500 acres or more.

These changes in size of farm were accomplished by both the rental and purchase of additional land, often land taken from the smaller farms. Full owners (those owning all the land they operate) have increasingly sought to rent additional land to enlarge their operating units, and tenants have become part-owners by buying "base units" and then renting additional land to make more efficient operating units. The combined effect of these trends was to increase the proportion of all farms operated by part-owners from 18 percent in 1954 to 21 percent in 1959. Tenant-operated farms declined sharply in actual number, and as a percentage of all farms they declined from 24.4 percent in 1954 to 20.0 in 1959. This is the lowest level of tenancy since statistics were first obtained in 1880.

Much of the activity in the land market in recent years has been centered on the purchase of land to enlarge existing farms. The average size of tracts sold has been only a little more than half the average size of farms in most States, and a significant proportion of these tracts have consisted of bare land (without buildings). In the year ended March 1960, 44 percent of the purchases made were for farm enlargement; the proportion exceeded 50 percent in several areas, notably the Corn Belt and wheat areas (fig. 3). Such intended use of land helped to raise prices somewhat higher than could be justified if the land were to be used as a complete operating unit. Buyers usually had sufficient equipment and surplus labor to operate the additional land, and thus could realize larger net returns. There is some evidence, however, that market prices are approaching the upper limits that can be supported by enlargement demand. Reports from Iowa indicate that farmers were less interested in the purchase of additional land last fall than for the last several years.

FARMLAND PURCHASES FOR FARM ENLARGEMENT

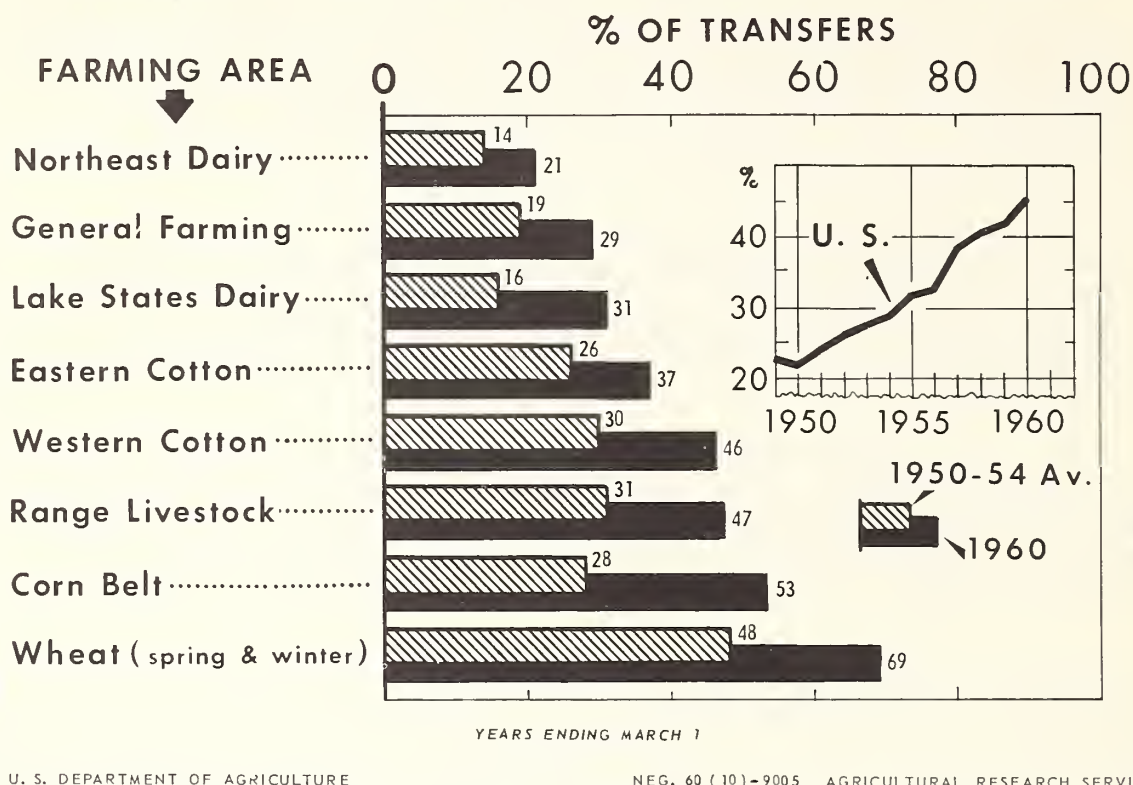


Figure 3

FARM REAL ESTATE TAXES AS SHARE OF NET FARM INCOME

Taxes levied against farm real estate have about doubled in relation to net farm income before taxes in the last 10 years. In 1959, taxes amounted to 8.5 percent of net income, ranging as high as 15 to 20 percent in the Northeast and 10 percent or more in practically all States except those in the Southeast. In those areas of the Corn Belt where market values range from \$300 to \$400 per acre, tax levies of \$3.00 to \$5.00 per acre are common. Thus, the owner of an average farm (225 to 250 acres), valued at \$80,000 to \$100,000, paid \$1,000 to \$1,200 in real estate taxes in 1959.

Although in the last decade taxes have increased at about the same rate as did market values of farm real estate, the dollar level of taxes may have reached a point at which it is having a dampening effect on further increases in market values. Theoretically, an increase of \$1 an acre in taxes (with no change in income or other expenses) would reduce the value of land by \$20, assuming a capitalization rate of 5 percent. Since 1950, the average tax per acre has increased this amount or more in about half the States in the Northeast and in Ohio, Indiana, Iowa, Illinois, and California. Despite equally large percentage increases in many other States, the current rate is less than \$1 an acre and still a relatively minor expense.

Several considerations are involved in determining how increases in taxes may affect market values of farm real estate. If taxes increase at about the same rate as market values, and if the rise in market values is supported by a proportionate increase in net income, then no real increase in taxes has occurred. However, market values have increased considerably more than has net income since 1954, so that taxes now take a substantially larger share of income.

The need for larger tax revenues by local governmental units stems both from the increase in the costs of providing services - primarily because of higher wages and salaries - and from an upgrading in the quality and kinds of services provided. The increased taxes needed to pay the higher cost of previously existing services contributes little, if any, to the amenity values of the community or to the income from farm property. Consequently, if farm income has not increased in proportion to the cost for such services, this portion of the tax increase reduces net farm income and the capitalized value of land.

Property values can be enhanced by higher taxes that provide additional or better services than were available previously, even though net farm income is not affected directly. Additional tax revenues expended for better schools, highways, or medical facilities create amenity values for properties located in a community, and these tend to be reflected in market values.

There are several situations, however, in which amenity values are of little concern to land buyers and in which tax increases for such purposes will tend to reduce market values. Absentee owners seeking or holding land for investment, for example, are more likely to be conscious of increased taxes than are persons who intend to live in a community and who can benefit directly from the higher level of community services. Tax levels are important also to owners and buyers of timberland on which annual taxes are an important part of total costs.

Table 10.- Farm real estate: Index numbers of average value per acre, by States and farm production regions, selected dates, 1940 to 1960 1/

(1947-49=100)

State and region	1940	1950	1955	1958	1959		1960		
					March	Nov.	March	July	Nov.
Maine-----	69	95	104	118	125	133	131	133	133
New Hampshire-----	67	97	105	119	129	138	137	135	136
Vermont-----	58	101	104	120	129	138	137	135	138
Massachusetts-----	74	99	106	126	137	149	147	<u>2</u> /148	151
Rhode Island-----	66	101	108	133	145	156	155	154	154
Connecticut-----	65	100	111	138	149	157	155	157	157
New York-----	59	105	119	137	146	149	149	146	146
New Jersey-----	62	103	132	168	183	194	190	194	196
Pennsylvania-----	58	102	134	163	172	178	181	179	182
Delaware-----	55	98	130	163	177	186	184	181	184
Maryland-----	50	99	136	167	179	187	185	<u>2</u> /183	182
Northeast-----	60	102	123	147	158	164	164	<u>2</u> /163	164
Michigan-----	46	100	133	158	170	173	173	<u>2</u> /172	176
Wisconsin-----	58	101	113	133	142	143	144	<u>2</u> /141	143
Minnesota-----	55	109	135	171	181	185	182	179	180
Lake States-----	54	104	127	154	165	168	167	<u>2</u> /165	166
Ohio-----	46	101	141	171	178	180	180	180	174
Indiana-----	44	103	147	173	182	186	186	183	182
Illinois-----	50	108	142	169	182	183	182	181	176
Iowa-----	51	108	133	147	157	162	161	159	151
Missouri-----	50	106	130	156	169	175	172	172	168
Corn Belt-----	49	106	139	162	173	176	175	174	168
North Dakota-----	48	107	132	162	178	177	182	180	182
South Dakota-----	47	111	139	156	171	170	173	171	173
Nebraska-----	47	104	134	146	159	157	160	157	156
Kansas-----	45	106	129	147	156	157	160	156	155
Northern Plains--	46	107	133	150	162	162	165	162	162
Virginia-----	48	101	135	161	174	177	178	180	179
West Virginia-----	58	95	110	132	142	145	145	147	144
North Carolina-----	43	106	140	161	170	<u>2</u> /173	173	174	172
Kentucky-----	42	102	115	133	145	152	153	<u>2</u> /152	149
Tennessee-----	42	103	118	136	150	154	156	159	156
Appalachian-----	44	103	126	146	158	<u>2</u> /162	163	164	162

See footnotes at end of table.

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Table 10.- Farm real estate: Index numbers of average value per acre, by States and farm production regions, selected dates, 1940 to 1960 1/ Con.

(1947-49=100)

State and region					1959		1960		
	1940	1950	1955	1958					
					Mar.	Nov.	Mar.	July	Nov.
South Carolina-----	43	97	121	143:	155	162:	163	166	166
Georgia-----	45	99	138	171:	188	197:	201	201	205
Florida-----	57	97	141	213:	245	254:	252	259	264
Alabama-----	47	101	125	152:	169	172:	174	172	173
Southeast-----	48	99	132	171:	191	198:	199	201	204
Mississippi-----	46	106	137	169:	186	189:	191	191	193
Arkansas-----	40	105	126	154:	163	166:	170	174	175
Louisiana-----	57	105	138	174:	192	197:	198	201	206
Delta States-----	46	104	132	163:	177	180:	183	185	187
Oklahoma-----	50	108	136	155:	168	172:	177	176	177
Texas-----	55	102	137	158:	169	2/173:	176	2/175	179
Southern Plains--	54	103	137	157:	169	2/173:	176	2/175	179
Montana-----	43	104	146	171:	183	189:	191	195	192
Idaho-----	43	107	142	158:	169	175:	176	175	175
Wyoming-----	40	100	123	128:	138	142:	145	142	144
Colorado-----	37	104	128	130:	138	143:	145	146	145
New Mexico-----	36	107	136	141:	149	156:	157	159	159
Arizona-----	40	99	137	157:	168	177:	176	173	177
Utah-----	49	107	137	142:	150	157:	158	154	160
Nevada-----	49	99	139	153:	164	169:	173	171	172
Mountain-----	41	104	136	148:	158	163:	165	165	166
Washington-----	45	101	137	156:	167	175:	179	179	175
Oregon-----	41	99	128	144:	152	156:	159	2/160	160
California-----	42	94	128	158:	172	179:	182	2/186	186
Pacific-----	42	96	130	156:	168	175:	179	2/181	181
48 States <u>3/</u> --	49	103	133	156:	168	171:	173	172	172

1/ All farmlands with improvements as of March 1, except as indicated.

2/ Revised.

3/ Data not available for Alaska and Hawaii.

Table 11.- Farm real estate: Index numbers of average value per acre, by States and geographic divisions, selected dates, 1920 to 1960 1/

(1912-14=100)									
State and division	1920	1930	1950	1958	1959		1960		
					Mar.	Nov.	Mar.	July	Nov.
Maine-----	142	124	132	163	173	<u>2/</u> 184	182	184	184
New Hampshire----	129	111	136	167	181	194	193	190	192
Vermont-----	150	123	176	209	224	240	238	236	239
Massachusetts----	140	131	152	193	210	227	224	<u>2/</u> 226	231
Rhode Island-----	130	134	184	243	266	285	284	281	282
Connecticut-----	137	140	191	264	285	301	298	301	301
New England-----	140	127	157	198	214	228	226	<u>2/</u> 227	229
New York-----	133	103	152	198	212	215	215	212	211
New Jersey-----	130	125	194	317	346	366	360	367	370
Pennsylvania-----	140	107	157	252	266	275	280	276	281
Mid. Atlantic--	136	106	157	231	247	254	256	253	255
Ohio-----	159	90	167	285	295	300	299	299	290
Indiana-----	161	80	174	293	308	315	314	310	307
Illinois-----	160	91	162	254	273	273	273	271	263
Michigan-----	154	121	198	311	337	342	342	<u>2/</u> 341	348
Wisconsin-----	171	117	145	191	204	206	207	<u>2/</u> 203	206
E. N. Central--	161	96	166	261	278	281	280	<u>2/</u> 278	274
Minnesota-----	213	133	169	265	280	287	282	273	279
Iowa-----	213	113	158	215	229	237	236	232	221
Missouri-----	167	92	124	183	198	205	202	202	197
North Dakota-----	145	95	115	175	192	190	196	194	196
South Dakota-----	181	93	97	136	149	149	150	149	150
Nebraska-----	179	113	130	182	198	196	200	195	195
Kansas-----	151	113	169	233	248	249	254	248	247
W. N. Central--	184	109	142	203	218	221	222	219	215
Delaware-----	139	111	158	262	286	300	296	292	297
Maryland-----	166	123	199	335	359	376	371	<u>2/</u> 367	364
Virginia-----	189	134	235	375	405	412	413	419	416
West Virginia-----	154	105	139	194	209	213	214	217	211
North Carolina----	223	158	341	518	547	<u>2/</u> 558	558	559	554
South Carolina----	230	104	203	298	324	339	339	347	346
Georgia-----	217	100	181	313	344	360	367	366	375
Florida-----	178	172	226	497	572	592	589	604	616
S. Atlantic----	199	127	224	371	404	<u>2/</u> 417	417	421	422

See footnotes at end of table.

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Table 11.- Farm real estate: Index numbers of average value per acre, by States and geographic divisions, selected dates, 1920 to 1960 ^{1/} -Con.

(1912-14=100)									
State and division	1920	1930	1950	1958	1959		1960		
					Mar.	Nov.	Mar.	July	Nov.
Kentucky-----	200	127	272	358	388	407	410	<u>2/</u> 407	400
Tennessee-----	200	123	265	350	385	395	401	409	400
Alabama-----	177	143	260	391	433	441	446	441	444
Mississippi-----	218	122	244	391	429	436	440	441	445
E. S. Central----	199	128	263	368	404	416	420	<u>2/</u> 421	417
Arkansas-----	222	141	247	364	384	391	400	409	412
Louisiana-----	198	132	221	366	404	416	419	425	435
Oklahoma-----	166	127	202	289	315	322	332	329	332
Texas-----	174	138	184	235	305	<u>2/</u> 313	318	<u>2/</u> 317	323
W. S. Central----	177	136	192	294	316	<u>2/</u> 323	329	<u>2/</u> 329	335
Montana-----	126	82	132	218	233	240	243	248	245
Idaho-----	172	130	230	341	365	377	380	378	378
Wyoming-----	177	111	183	234	252	259	265	260	264
Colorado-----	141	89	161	202	215	221	224	226	225
New Mexico-----	144	112	232	307	325	339	342	345	347
Arizona-----	165	139	218	347	372	393	389	383	393
Utah-----	167	125	179	238	251	263	264	258	267
Nevada-----	135	98	132	205	220	226	232	229	230
Mountain-----	148	103	175	249	265	275	278	278	279
Washington-----	139	113	210	325	348	363	372	371	364
Oregon-----	129	111	176	254	268	277	282	<u>2/</u> 283	284
California-----	167	164	220	370	402	419	427	<u>2/</u> 435	436
Pacific-----	157	147	212	345	373	388	396	<u>2/</u> 401	401
48 States <u>3/</u> ----	173	114	174	262	282	288	291	289	289

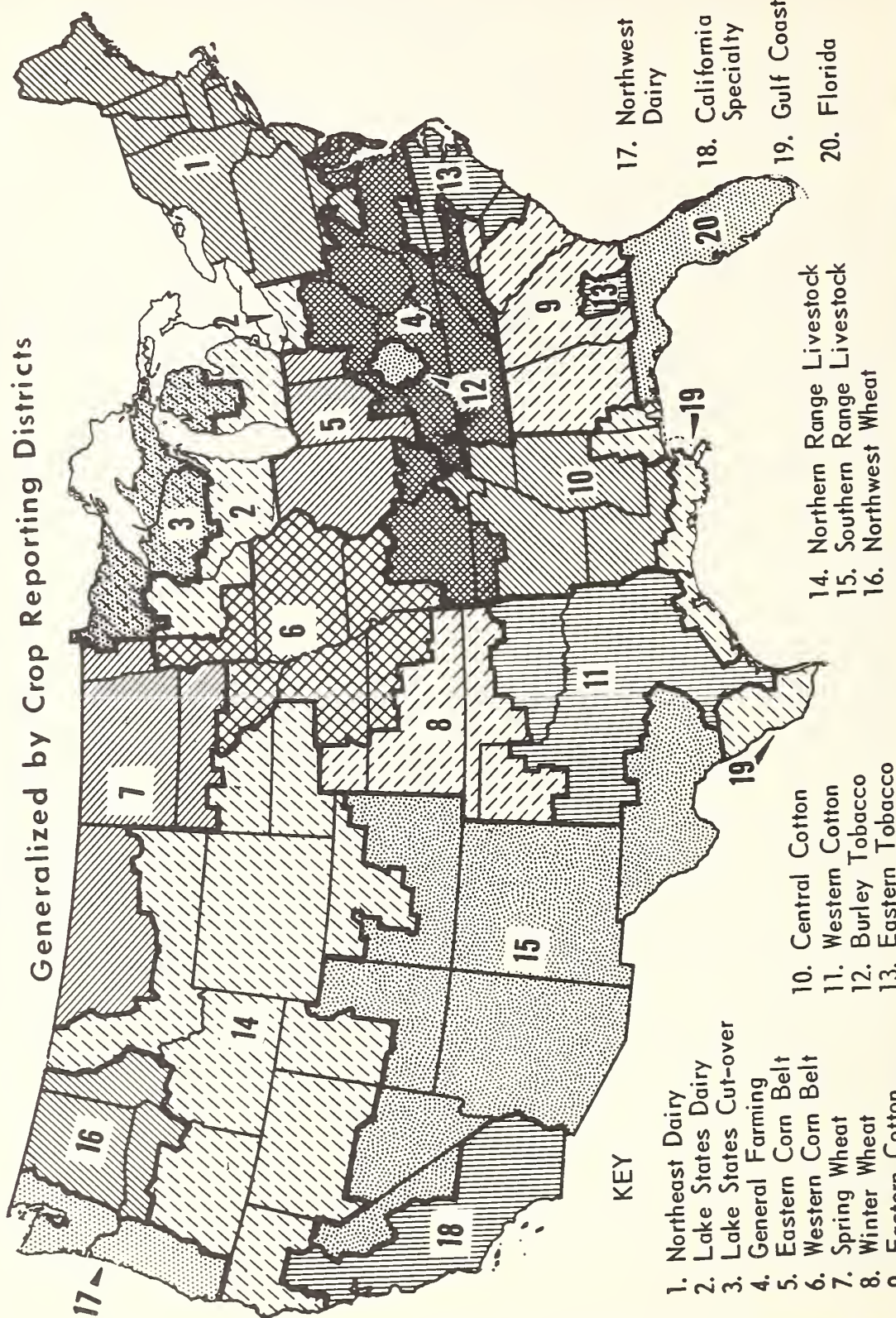
^{1/} All farmlands with improvements as of March 1, except as indicated.

^{2/} Revised.

^{3/} Data not available for Alaska and Hawaii.

TYPES OF FARMING AREAS

Generalized by Crop Reporting Districts



UNITED STATES DEPARTMENT OF AGRICULTURE
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